

CITY OF ROCKWELL CITY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND
QUESTIONED COSTS

June 30, 2011

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CITY OF ROCKWELL CITY, IOWA

OFFICIALS

NAME	TITLE	TERM EXPIRES
<i>(Before January 2011)</i>		
Phil Heinlen	Mayor	December, 2013
John Hepp	Mayor Pro Tem	December, 2013
Mark Lange	Council Member	December 2011
Mike Roller	Council Member	December 2011
Jo Ann Hendricks	Council Member	December 2011
David Dawson	Council Member	December 2013
John Hepp	Council Member	December 2013
Kelly Smidt	City Clerk	Indefinite
Joni Hepp	Deputy Clerk/Treasurer	Indefinite
Steve Hendricks	Attorney	Indefinite
<i>(After January 2011)</i>		
Phil Heinlen	Mayor	December, 2013
John Hepp	Mayor Pro Tem	
Mark Lange	Council Member	December 2011
Mike Roller	Council Member	December 2011
Jo Ann Hendricks	Council Member	December 2011
David Dawson	Council Member	December 2013
John Hepp	Council Member	December 2013
Kelly Smidt	City Clerk	Indefinite
Joni Hepp	Deputy Clerk/Treasurer	Indefinite
Steve Hendricks	Attorney	Indefinite

CITY OF ROCKWELL CITY, IOWA



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rockwell City, Iowa, as of and for the year ended June 30, 2011, which along with the discretely presented component unit, collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Rockwell City, Iowa's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements of The Rockwell City Public Library Foundation have not been audited, and we were not engaged to audit The Rockwell City Public Library Foundation's financial statement as part of our audit of the City's basic financial statements. The Rockwell City Public Library Foundation's financial activities are included in the City's basic financial statements as a discretely presented component unit and represents 100 percent of the receipts and disbursements of the City's aggregate discretely presented component units. We did not audit the financial statements of the City of Rockwell City, Iowa's discretely presented component unit and do not express an opinion on such information.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rockwell City, Iowa as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2012 our consideration of the City of Rockwell City, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 24 through 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockwell City, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2010 (which is not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schnarr & Company, LLP

Fort Dodge, Iowa
March 15, 2012

CITY OF ROCKWELL CITY, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Rockwell City, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased by approximately \$373,052 from fiscal 2010 to fiscal 2011. Disbursements increased by \$481,242, in fiscal 2011 from fiscal 2010.
- Revenues of the City's proprietary activities increased approximately 11%, while disbursements decreased approximately 4% from fiscal 2010 to fiscal 2011.
- The City's total cash basis net assets increased approximately \$347,273, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$350,784 and the assets of the business type activities decreased approximately \$3,511.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information that helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE CITY'S FINANCIAL ACTIVITIES (Continued)

Fund Financial Statements (Continued)

- 2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1.494 million to \$1.845 million. Included within this report is an analysis that focuses on the changes in cash balances for governmental activities.

The City's total receipts for governmental activities increased by \$673,052 from 2010 to 2011. The total cost of all programs and services increased, by approximately \$481,242, including an increase in capital projects disbursements of \$417,800.

The City decreased property tax rates for 2011:

Property Tax		
Year	Receipts	City Levy
FY08	\$ 565,035	21.203240
FY09	568,022	21.374660
FY10	490,096	20.683980
FY11	557,497	19.451920

The cost of all governmental activities this year was \$1.568 million compared to \$1.087 million last year. However, as shown in the Statement of Activities and Net Assets – Cash Basis, the amount taxpayers ultimately financed for these activities was only \$557,497 because some of the cost was paid by those directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2011 from approximately \$1.245 million to approximately \$1.619 million.

Total business type activities receipts for the fiscal year were \$801,829 compared to \$719,653 last year, an increase of \$82,176. Total disbursements for the fiscal year decreased by approximately \$65,089, at \$805,340 in 2011 compared to \$870,429 in 2010. The proprietary cash balance decreased during the year by approximately \$3,511.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Rockwell City completed the year, its governmental funds reported a combined fund balance of \$1,844,556, an increase of \$350,784 above last year's total of \$1,493,772. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- ◆ The General Fund cash balance increased \$341,751 from the prior year.
- ◆ The employee benefit cash balance increased \$9,624.
- ◆ The Local Option Tax cash balance increased by \$115,789 during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- ◆ The Water Fund cash balance decreased by \$96,611 to \$844,641.
- ◆ The Sewer Fund cash balance increased by \$93,100 to \$385,519.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once, with approval in May 2011. The budget amendments covered several changes, including mosquito control; the sign project; pool repairs; the library/community center; water and wastewater repairs; and adjustments to the police budget.

DEBT ADMINISTRATION

As of June 30, 2011, the City had approximately \$1,481,000 in bonds, compared to approximately \$1,413,000 last year. In addition, the City has a \$76,845 capital lease for a fire truck.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below its constitutional debt limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Rockwell City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for various City activities. Due to the loss of state funds and stagnant/declining property values, city officials have been forced to cut departmental budgets during recent years. Each year cuts are forced which are resulting in the provision of fewer services to taxpayers. City officials have implemented incentives for development, such as residential and commercial tax abatement and an urban renewal/TIF district.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kelly Smidt, City Clerk, 335 Main Street, Rockwell City, Iowa 50579.

CITY OF ROCKWELL CITY, IOWA

BASIC FINANCIAL STATEMENTS

CITY OF ROCKWELL CITY, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
As of and for the Year Ended June 30, 2011

			Program Receipts
			Operating Grants, Contributions and Restricted Interest
	Disbursements	Charges for Services	
Functions/Programs:			
Governmental activities:			
Public safety	\$ 320,875	\$ 10,316	\$ 31,200
Public works	381,750	125,372	202,813
Health and social services	8,789	-	-
Culture and recreation	201,085	67,104	57,126
Community and economic development	6,573	-	1,000
General government	123,237	3,580	-
Debt service	85,884	-	-
Capital projects	439,756	-	-
Total governmental activities	1,567,949	206,372	292,139
Business-type activities:			
Water	520,500	414,758	-
Sewer	284,840	375,349	-
Total business-type activities	805,340	790,107	-
Total primary government	\$ 2,373,289	\$ 996,479	\$ 292,139
Component Unit:			
Library Foundation	\$ 13,821	\$ -	\$ -
General revenues:			
Property tax levied for:			
General purposes			
Debt service			
Local option sales tax			
Unrestricted interest on investments			
Bond proceeds			
Miscellaneous			
Total general revenues			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			

(Continued on next page)

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets					
Capital Grants, Contributions and Restricted Interest	Primary Government			Component Unit Library Foundation	
	Governmental Activities	Business-Type Activities	Total		
\$ -	\$ (279,359)	\$ -	\$ (279,359)	\$ -	
-	(53,565)	-	(53,565)	-	
-	(8,789)	-	(8,789)	-	
-	(76,855)	-	(76,855)	-	
-	(5,573)	-	(5,573)	-	
-	(119,657)	-	(119,657)	-	
-	(85,884)	-	(85,884)	-	
362,573	(77,183)	-	(77,183)	-	
362,573	(706,865)	-	(706,865)	-	
-	-	(105,742)	(105,742)	-	
-	-	90,509	90,509	-	
-	-	(15,233)	(15,233)	-	
<u>\$ 362,573</u>	<u>(706,865)</u>	<u>(15,233)</u>	<u>(722,098)</u>	<u>-</u>	
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,821)</u>	
	500,504	-	500,504	-	
	59,443	-	59,443	-	
	138,964	-	138,964	-	
	10,674	11,722	22,396	-	
	300,000	-	300,000	-	
	48,064	-	48,064	19,968	
	<u>1,057,649</u>	<u>11,722</u>	<u>1,069,371</u>	<u>19,968</u>	
	350,784	(3,511)	347,273	6,147	
	<u>1,493,772</u>	<u>1,233,671</u>	<u>2,727,443</u>	<u>58,441</u>	
<u>\$ 1,844,556</u>	<u>\$ 1,230,160</u>	<u>\$ 3,074,716</u>	<u>\$ 64,588</u>		

**Exhibit A
(Continued)**

	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Library Foundation
Cash Basis Net Assets				
Restricted:				
Nonexpendable:				
Cemetery perpetual care	\$ 55,950	\$ -	\$ 55,950	\$ -
Expendable:				
Streets	82,275	-	82,275	-
Capital projects	(39,480)	-	(39,480)	-
Debt service	8,998	231,761	240,759	-
Other purposes	424,830	-	424,830	-
Unrestricted	1,311,983	998,399	2,310,382	64,588
Total cash basis net assets	\$ 1,844,556	\$ 1,230,160	\$ 3,074,716	\$ 64,588

See notes to financial statements.

CITY OF ROCKWELL CITY, IOWA

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS**

Year Ended June 30, 2011

			Special Revenue
	General	Road Use Tax	Employee Benefits
Receipts:			
Property tax	\$ 308,472	\$ -	\$ 189,583
Tax increment financing	-	-	-
Other city tax	-	-	-
Licenses and permits	3,580	-	-
Use of money and property	23,028	-	-
Intergovernmental	436,028	200,517	-
Charges for service	180,461	-	-
Miscellaneous	43,133	-	2,332
Total receipts	994,702	200,517	191,915
Disbursements:			
Operating:			
Public safety:			
Police	178,522	-	95,171
Civil defense	1,821	-	-
Fire	40,698	-	2,291
Ambulance	2,243	-	-
	223,284	-	97,462
Public works:			
Street lighting	-	22,528	-
Airport	8,413	-	-
Solid waste	116,171	-	2,420
Roadway maintenance	-	186,114	46,104
	124,584	208,642	48,524
Health and social services:			
Mosquito control	8,789	-	-

Exhibit B

		Capital Projects			
Local Option Tax	Debt Service	Library	Capital Projects	Other Nonmajor Governmental Funds	Total
\$ -	\$ 59,443	\$ -	\$ -	\$ -	\$ 557,498
-	-	-	-	2,476	2,476
138,964	-	-	-	-	138,964
-	-	-	-	-	3,580
-	-	83	-	86	23,197
-	25,826	-	-	4,071	666,442
-	-	-	-	400	180,861
-	-	-	250	-	45,715
138,964	85,269	83	250	7,033	1,618,733
-	-	-	-	129	273,822
-	-	-	-	-	1,821
-	-	-	-	-	42,989
-	-	-	-	-	2,243
-	-	-	-	129	320,875
-	-	-	-	-	22,528
-	-	-	-	-	8,413
-	-	-	-	-	118,591
-	-	-	-	-	232,218
-	-	-	-	-	381,750
-	-	-	-	-	8,789

(Continued on next page)

CITY OF ROCKWELL CITY, IOWA

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2011**

			Special Revenue
	General	Road Use Tax	Employee Benefits
Disbursements (Continued):			
Operating (continued):			
Culture and recreation:			
Library	\$ 60,137	\$ -	\$ 11,288
Park	36,405	-	1,861
Swimming pool	41,899	-	3,520
Cemetery	18,286	-	721
Community Center	20,484	-	766
	<u>177,211</u>	<u>-</u>	<u>18,156</u>
Community and economic development:			
Economic development	2,000	-	-
Community beautification	696	-	-
	<u>2,696</u>	<u>-</u>	<u>-</u>
General government:			
Policy administration	41,844	-	18,150
Tort liability	63,243	-	-
	<u>105,087</u>	<u>-</u>	<u>18,150</u>
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>641,651</u>	<u>208,642</u>	<u>182,292</u>
Excess (deficiency) of receipts over (under) disbursements	353,051	(8,125)	9,623

**Exhibit B
(Continued)**

		Capital Projects				
Local Option Tax	Debt Service	Library	Capital Projects	Other Nonmajor Governmental Funds	Total	
\$ -	\$ -	\$ -	\$ -	\$ 5,718	\$ 77,143	
-	-	-	-	-	38,266	
-	-	-	-	-	45,419	
-	-	-	-	-	19,007	
-	-	-	-	-	21,250	
-	-	-	-	5,718	201,085	
-	-	-	-	3,877	5,877	
-	-	-	-	-	696	
-	-	-	-	3,877	6,573	
-	-	-	-	-	59,994	
-	-	-	-	-	63,243	
-	-	-	-	-	123,237	
-	85,884	-	-	-	85,884	
-	-	-	439,756	-	439,756	
-	85,884	-	439,756	9,724	1,567,949	
138,964	(615)	83	(439,506)	(2,691)	50,784	

(Continued on next page)

CITY OF ROCKWELL CITY, IOWA

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2011**

		Special Revenue	
	General	Road Use Tax	Employee Benefits
Other financing sources:			
Bond proceeds	\$ -	\$ -	\$ -
Operating transfers in	-	-	-
Operating transfers out	(11,300)	-	-
Total other financing sources (uses)	(11,300)	-	-
Net change in cash balances	341,751	(8,125)	9,623
Cash balances beginning of year	970,232	90,400	89,319
Cash balances end of year	<u>\$ 1,311,983</u>	<u>\$ 82,275</u>	<u>\$ 98,942</u>
Cash Basis Fund Balances			
Nonspendable - Cemetary perpetual care	\$ -	\$ -	\$ -
Restricted for:			
Debt service	-	-	-
Capital projects	-	-	-
Streets	-	82,275	-
Other purposes	-	-	98,942
Unassigned	1,311,983	-	-
Total cash basis fund balances	<u>\$ 1,311,983</u>	<u>\$ 82,275</u>	<u>\$ 98,942</u>

See notes to financial statements.

**Exhibit B
(Continued)**

		Capital Projects			
Local Option Tax	Debt Service	Library	Capital Projects	Other Nonmajor Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 300,000	\$ -	\$ 300,000
-	-	-	34,475	-	34,475
(23,175)	-	-	-	-	(34,475)
(23,175)	-	-	334,475	-	300,000
115,789	(615)	83	(105,031)	(2,691)	350,784
201,075	9,613	50,938	14,530	67,665	1,493,772
<u>\$ 316,864</u>	<u>\$ 8,998</u>	<u>\$ 51,021</u>	<u>\$ (90,501)</u>	<u>\$ 64,974</u>	<u>\$ 1,844,556</u>
\$ -	\$ -	\$ -	\$ -	\$ 55,950	\$ 55,950
-	8,998	-	-	-	8,998
-	-	51,021	(90,501)	-	(39,480)
-	-	-	-	-	82,275
316,864	-	-	-	9,024	424,830
-	-	-	-	-	1,311,983
<u>\$ 316,864</u>	<u>\$ 8,998</u>	<u>\$ 51,021</u>	<u>\$ (90,501)</u>	<u>\$ 64,974</u>	<u>\$ 1,844,556</u>

CITY OF ROCKWELL CITY, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2011

Exhibit C

	Enterprise Funds		
	Water	Sewer	Total
Operating Receipts:			
Charges for service	\$ 414,758	\$ 375,349	\$ 790,107
Total operating receipts	414,758	375,349	790,107
Operating Disbursements:			
Business-type activities:			
Personal services	88,996	76,897	165,893
Utilities	16,224	23,442	39,666
Repairs and maintenance	17,372	15,484	32,856
Other supplies and expenses	181,628	33,552	215,180
Total operating disbursements	304,220	149,375	453,595
Excess of operating receipts over operating disbursements	110,538	225,974	336,512
Non-operating Receipts (Disbursements):			
Interest on investments	9,131	2,591	11,722
Capital projects	(90,696)	(14,185)	(104,881)
Debt service:			
Principal redemption	(112,586)	(92,000)	(204,586)
Interest payments	(12,998)	(29,280)	(42,278)
Total non-operating (disbursements)	(207,149)	(132,874)	(340,023)
Excess (deficiency) of receipts over (under) disbursements	(96,611)	93,100	(3,511)

(Continued on next page)

CITY OF ROCKWELL CITY, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2011

Exhibit C
(Continued)

	Enterprise Funds		
	Water	Sewer	Total
Excess (deficiency) of receipts over (under) disbursements	\$ (96,611)	\$ 93,100	\$ (3,511)
Operating transfers in	-	-	-
Net change in cash balances	(96,611)	93,100	(3,511)
Cash balances beginning of year	941,252	292,419	1,233,671
Cash balances end of year	\$ 844,641	\$ 385,519	\$ 1,230,160
Cash Basis Fund Balances			
Reserved for improvements	\$ 239,682	\$ -	\$ 239,682
Reserved for debt service	66,761	165,000	231,761
Unreserved	538,198	220,519	758,717
Total cash basis fund balances	\$ 844,641	\$ 385,519	\$ 1,230,160

See notes to financial statements.

CITY OF ROCKWELL CITY, IOWA

NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

City of Rockwell City, Iowa is a political subdivision of the State of Iowa located in Calhoun County. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Rockwell City, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Discretely Presented Component Unit

The Rockwell City Public Library Foundation is a separate nonprofit organization whose purpose is to help raise funds for a new library building. The records are maintained on the basis of cash receipts and disbursements, with December 31 as its fiscal year end. The Rockwell City Public Library Foundation meets the definition of a component that should be discretely presented. The Foundation's financial statement has not been audited and we do not express any opinion on the financial statement.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Calhoun County E911 Service Board and Calhoun County Ambulance Authority.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations that require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management that can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for the transactions for benefits on behalf of city employees.

The Local Option Tax Fund is used to account for transactions for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

Capital Projects:

The Capital Project Funds are used to account for the transactions to construct and/or purchase capital assets for the City.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued)

The City reports the following major governmental funds (continued):

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Rockwell City, Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies (Continued)

D. Governmental Cash Basis Fund Balances (Continued)

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Date of Management's Review

Subsequent events have been evaluated through March 15, 2012 that is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

(2) Cash

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2011. During the year ended June 30, 2011 the City invested its excess funds in savings accounts and certificates of deposit.

NOTES TO FINANCIAL STATEMENTS

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for revenue bonds and revenue notes are as follows:

Year Ending June 30,	Revenue Bonds		General Obligation Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 116,000	\$ 36,330	\$ 30,000	\$ 10,800	\$ 146,000	\$ 47,130
2013	121,000	32,850	30,000	9,600	151,000	42,450
2014	126,000	29,220	30,000	8,400	156,000	37,620
2015	131,000	25,440	30,000	7,200	161,000	32,640
2016	136,000	21,510	30,000	6,000	166,000	27,510
2017	141,000	17,430	30,000	4,800	171,000	22,230
2018	147,000	13,200	30,000	3,600	177,000	16,800
2019	153,000	8,790	30,000	2,400	183,000	11,190
2020	26,000	4,200	30,000	1,200	56,000	5,400
2021	27,000	3,420	-	-	27,000	3,420
2022	28,000	2,610	-	-	28,000	2,610
2023	29,000	1,770	-	-	29,000	1,770
2024	30,000	900	-	-	30,000	900
2025	-	-	-	-	-	-
Total	\$ 1,211,000	\$ 197,670	\$ 270,000	\$ 54,000	\$ 1,481,000	\$ 251,670

Revenue Notes/Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$766,000 in Water Revenue Notes/Bonds issued in 1996 and 2004. Proceeds from the notes/bonds provided financing for water improvements. The notes/bonds are payable solely from water customers net receipts and are payable through 2024. Annual principal and interest payments on the notes/bonds are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes/bonds is \$627,000. For the current year, principal and interest paid and total customer net receipts were \$125,595 and \$110,538, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,766,000 in sewer revenue notes issued in April 1999. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2019. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$884,000. For the current year, principal and interest paid and total customer net receipts were \$121,280 and \$225,974, respectively.

The resolutions providing for the issuance of the revenue notes and bonds include the following provisions:

- The note will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- Sufficient monthly transfers shall be made to separate water and sewer revenue sinking accounts for the purpose of making the note principal and interest payments when due.

NOTES TO FINANCIAL STATEMENTS

(3) Bonds and Notes Payable (Continued)

Revenue Notes/Bonds (continued)

- (c) Additional monthly transfers equal to 25% of the monthly transfers to the water sinking account shall be made to a water reserve account. This account is restricted for the purpose of paying principal and interest should a deficiency exist in the water sinking account.
- (d) A water improvement fund shall be maintained requiring a monthly payment of \$2,000; provided, however, that when the amount of said deposits in said fund shall equal or exceed \$75,000, no further monthly deposits need to be made except to maintain it at such level.
- (e) The water and sewer systems shall each maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate.

Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 was \$33,055, \$29,940 and \$27,297, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, holiday, and comp time hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours accumulate and are paid only when used. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned benefit payments payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation, holiday and comp time	<u>\$ 21,306</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

(6) Deficit Fund Balances

The Capital Projects Fund had a net deficit balance of \$39,480 at June 30, 2011. The deficit balance was the result of cost incurred primarily related to airport capital expenditures. The deficit balance will be eliminated upon the receipt of future operating receipts. The City will re-evaluate the monies appropriated to this fund in the next year.

NOTES TO FINANCIAL STATEMENTS

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Capital Leases

The City entered into a capital lease for the purchase of a police car. This lease is from June 26, 2008 through July 15, 2010. During the year ended June 30, 2011, the City disbursed \$8,737 for this lease and the lease was paid off during the year.

The City entered into a capital lease for the purchase of a fire truck. This lease is from December 12, 2005 through December 12, 2015. During the year ended June 30, 2011, the City disbursed \$40,155 for this lease.

Future minimum lease payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 13,654	\$ 3,802	\$ 17,456
2013	14,341	3,115	17,456
2014	15,064	2,392	17,456
2015	15,822	1,634	17,456
2016	17,964	837	18,801
	<u>\$ 76,845</u>	<u>\$ 11,780</u>	<u>\$ 88,625</u>

NOTES TO FINANCIAL STATEMENTS

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Capital Projects:		
Fire Department		
Capital Improvement	General	<u>\$ 11,300</u>
Capital Projects:	General:	
Airport:	Special Revenue -	
Phase III	Local Option Tax	15,850
Phase IV		6,375
Phase V		950
		<u>23,175</u>
		<u><u>\$ 34,475</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF ROCKWELL CITY, IOWA

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROCKWELL CITY, IOWA

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
Year Ended June 30, 2011**

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Net
Receipts:			
Property tax	\$ 557,498	\$ -	\$ 557,498
Tax increment financing	2,476	-	2,476
Other city tax	138,964	-	138,964
Licenses and permits	3,580	-	3,580
Use of money and property	23,197	11,722	34,919
Intergovernmental	666,442	-	666,442
Charges for service	180,861	790,107	970,968
Miscellaneous	45,715	-	45,715
Total receipts	1,618,733	801,829	2,420,562
Disbursements:			
Public safety	320,875	-	320,875
Public works	381,750	-	381,750
Health and social services	8,789	-	8,789
Culture and recreation	201,085	-	201,085
Community and economic development	6,573	-	6,573
General government	123,237	-	123,237
Debt service	85,884	246,864	332,748
Capital projects	439,756	104,881	544,637
Business-type activities	-	453,595	453,595
Total disbursements:	1,567,949	805,340	2,373,289
Excess (deficiency) of receipts over (under) disbursements	50,784	(3,511)	47,273
Other financing sources, net	300,000	-	300,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements	350,784	(3,511)	347,273
Balance, beginning of year	1,493,772	1,233,671	2,727,443
Balance, end of year	\$ 1,844,556	\$ 1,230,160	\$ 3,074,716

See accompanying Independent Auditor's Report.

Budgeted Amounts		Final to Net	
Original	Final	Variance	
\$ 530,606	\$ 530,606	\$ 26,892	
3,100	3,100	(624)	
29,630	180,958	(41,994)	
3,626	3,626	(46)	
44,175	44,175	(9,256)	
224,774	803,289	(136,847)	
888,574	888,574	82,394	
32,200	79,593	(33,878)	
1,756,685	2,533,921	(113,359)	
292,543	336,469	(15,594)	
365,402	488,566	(106,816)	
8,100	8,210	579	
173,701	231,842	(30,757)	
5,100	27,185	(20,612)	
125,779	131,945	(8,708)	
60,057	78,364	254,384	
-	379,000	165,637	
799,169	1,162,874	(709,279)	
1,829,851	2,844,455	(471,166)	
(73,166)	(310,534)	357,807	
3,100	285,000	15,000	
(70,066)	(25,534)	372,807	
2,706,442	2,706,442	21,001	
\$ 2,636,376	\$ 2,680,908	\$ 393,808	

CITY OF ROCKWELL CITY, IOWA

Notes to Required Supplementary Information – Budgetary Reporting June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Functional disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,014,604. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted in the general government and business type activities functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ROCKWELL CITY, IOWA

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011**

	Special Revenue		
	Library Building Trust	DARE	TIF
Receipts:			
Tax increment financing	\$ -	\$ -	\$ 2,476
Use of money and property	86	-	-
Intergovernmental	4,041	30	-
Charges for service	-	-	-
Total receipts	4,127	30	2,476
Disbursements:			
Operating:			
Public safety:			
Police	-	129	-
Culture and recreation:			
Library	5,718	-	-
Community and economic development:			
Economic development	-	-	3,877
Total disbursements	5,718	129	3,877
Excess (deficiency) of receipts over (under) disbursements	(1,591)	(99)	(1,401)
Cash balances beginning of year	10,409	305	1,401
Cash balances end of year	\$ 8,818	\$ 206	\$ -
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for other purposes	8,818	206	-
Total cash basis fund balances	\$ 8,818	\$ 206	\$ -

See accompanying Independent Auditor's Report.

Schedule 1

Permanent Cemetery Perpetual Care	Total
\$ -	\$ 2,476
-	86
-	4,071
400	400
400	7,033

-	129
---	-----

-	5,718
---	-------

-	3,877
---	-------

-	9,724
---	-------

400	(2,691)
-----	---------

55,550	67,665
--------	--------

\$ 55,950	\$ 64,974
------------------	------------------

\$ 55,950	\$ 55,950
-	9,024

\$ 55,950	\$ 64,974
------------------	------------------

CITY OF ROCKWELL CITY, IOWA

SCHEDULE OF INDEBTEDNESS

Year Ended June 30, 2011

Obligation	Date of Issue	Interest Rate	Amount Originally Issued
General obligation bond:			
South St. Water Main	August 17, 2010	4.00%	<u>\$ 300,000</u>
Total			<u><u>\$ 300,000</u></u>
Revenue bonds:			
Sewer revenue	April 19, 1999	4.23%	\$ 1,766,000
Water revenue	April 30, 2004	3.00%	<u>466,000</u>
Total			<u><u>\$ 2,232,000</u></u>
Revenue notes:			
Water construction	July 1, 1996	5.00-5.75%	<u>\$ 905,000</u>
Total			<u><u>\$ 905,000</u></u>
Capital leases:			
Fire truck	December 12, 2005	5.09%	\$ 202,289
Police car	June 26, 2008	6.00%	<u>24,677</u>
			<u><u>\$ 226,966</u></u>

See accompanying Independent Auditor's Report.

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ -	\$ 300,000	\$ 30,000	\$ 270,000	\$ 3,533	\$ -
\$ -	\$ 300,000	\$ 30,000	\$ 270,000	\$ 3,533	\$ -
\$ 976,000	\$ -	\$ 92,000	\$ 884,000	\$ 29,280	\$ -
347,000	-	20,000	327,000	10,410	-
\$ 1,323,000	\$ -	\$ 112,000	\$ 1,211,000	\$ 39,690	\$ -
\$ 90,000	\$ -	\$ 90,000	\$ -	\$ 5,185	\$ -
\$ 90,000	\$ -	\$ 90,000	\$ -	\$ 5,185	\$ -
\$ 109,756	\$ -	\$ 32,911	\$ 76,845	\$ 5,899	\$ -
8,242	-	8,242	-	494	-
\$ 117,998	\$ -	\$ 41,153	\$ 76,845	\$ 6,393	\$ -

CITY OF ROCKWELL CITY, IOWA

BOND AND NOTE MATURITIES

Year Ending June 30,	Revenue Bonds						
	Sewer Revenue 1		Sewer Revenue 2		Water Revenue		Total
	Series 1999		Series 1999		Series 2004		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2012	4.23%	\$ 93,000	4.23%	\$ 2,000	3.00%	\$ 21,000	\$ 116,000
2013	4.23	97,000	4.23	2,000	3.00	22,000	121,000
2014	4.23	102,000	4.23	2,000	3.00	22,000	126,000
2015	4.23	106,000	4.23	2,000	3.00	23,000	131,000
2016	4.23	110,000	4.23	2,000	3.00	24,000	136,000
2017	4.23	115,000	4.23	2,000	3.00	24,000	141,000
2018	4.23	120,000	4.23	2,000	3.00	25,000	147,000
2019	4.23	125,000	4.23	2,000	3.00	26,000	153,000
2020		-		-	3.00	26,000	26,000
2021		-		-	3.00	27,000	27,000
2022		-		-	3.00	28,000	28,000
2023		-		-	3.00	29,000	29,000
2024		-		-	3.00	30,000	30,000
		<u>\$ 868,000</u>		<u>\$ 16,000</u>		<u>\$ 327,000</u>	<u>\$ 1,211,000</u>

See accompanying Independent Auditor's Report.

Schedule 3

Year Ending June 30,	General Obligation Bond	
	Water Main	
	Issued August, 2010	
	Interest Rates	Amount
2012	4.00%	\$ 30,000
2013	4.00%	30,000
2014	4.00%	30,000
2015	4.00%	30,000
2016	4.00%	30,000
2017	4.00%	30,000
2018	4.00%	30,000
2019	4.00%	30,000
2020	4.00%	30,000
2021		-
2022		-
2023		-
2024		-
		<u>\$ 270,000</u>

CITY OF ROCKWELL CITY, IOWA**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS****BY FUNCTION -- ALL GOVERNMENTAL FUNDS****For the Last Eight Years**

	2011	2010	2009
Receipts:			
Property tax	\$ 557,498	\$ 490,096	\$ 544,176
Tax increment financing	2,476	2,801	-
Other city tax	138,964	132,327	180,301
Licenses and permits	3,580	3,678	3,245
Use of money and property	23,197	28,211	29,066
Intergovernmental	666,442	315,982	370,310
Charges for service	180,861	183,976	188,889
Miscellaneous	45,715	88,609	108,776
Total	\$ 1,618,733	\$ 1,245,680	\$ 1,424,763
Disbursements:			
Operating:			
Public safety	\$ 320,875	\$ 291,764	\$ 276,899
Public works	381,750	376,549	385,380
Health and social services	8,789	8,050	8,000
Culture and recreation	201,085	171,149	229,753
Community and economic development	6,573	8,400	26,302
General government	123,237	150,449	124,487
Debt service	85,884	58,389	135,911
Capital projects	439,756	21,956	710,221
Total	\$ 1,567,949	\$ 1,086,706	\$ 1,896,953

See accompanying Independent Auditor's Report.

Schedule 4

2008	2007	2006	2005	2004
\$ 532,617	\$ 536,756	\$ 516,996	\$ 510,503	\$ 522,195
-	-	-	-	-
32,418	33,948	33,638	34,421	32,292
3,835	3,851	4,446	3,250	3,597
105,168	115,328	51,982	28,949	19,401
713,777	545,849	229,282	319,200	302,489
191,316	247,366	253,458	228,905	206,066
189,503	2,135,374	90,786	40,593	22,352
\$ 1,768,634	\$ 3,618,472	\$ 1,180,588	\$ 1,165,821	\$ 1,108,392
\$ 278,323	\$ 375,246	\$ 335,787	\$ 436,336	\$ 370,836
361,426	336,653	409,035	335,467	294,759
-	-	-	6,200	6,751
142,224	174,448	141,138	134,989	145,277
7,186	5,197	2,495	2,195	36,149
106,277	101,103	139,614	102,024	124,006
132,589	144,183	116,759	110,654	104,965
2,140,544	489,676	37,734	-	3,001
\$ 3,168,569	\$ 1,626,506	\$ 1,182,562	\$ 1,127,865	\$ 1,085,744

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**To the Honorable Mayor and
Members of the City Council:**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Rockwell City, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 15, 2012. Our report expressed unqualified opinions on the financial statements that were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Rockwell City, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Rockwell City, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Rockwell City, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Rockwell City, Iowa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Rockwell City, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Rockwell City, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of Rockwell City, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of Rockwell City, Iowa and other parties to whom City of Rockwell City, Iowa may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Rockwell City, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnurr & Company, LLP

Fort Dodge, Iowa
March 15, 2012

CITY OF ROCKWELL CITY

Schedule of Findings Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) City of Rockwell City, Iowa qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. We noted that certain functions are not entirely segregated, such as preparing receipts and posting utility billing.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned – We feel we are doing the best we can with the limited personnel we have.

Conclusion – Response accepted.

**Schedule of Findings
Year Ended June 30, 2011
(Continued)**

Part II: Findings Related to the Financial Statements (Continued):

- II-B-11 Preparation of Financial Statements: Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Rockwell City, Iowa does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards NO. 112, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the City's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- III-B-11 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**Schedule of Findings
Year Ended June 30, 2011
(Continued)**

Part III: Other Findings Related to Required Statutory Reporting (Continued):

- III-D-11 Business Transactions – No business transactions between the City and City officials or employees were noted.
- III-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- III-F-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investments provision of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- III-H-11 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Rockwell City, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnarr & Company, LLP

Fort Dodge, Iowa
March 15, 2012

